

## Financial Planning After Retirement

The need for financial planning remains important throughout your retirement years. If you retire in your early 60s, you can reasonably expect to live for another 25–30 years. But your retirement assets will have to last over that same period of time.

By addressing some key concerns now, and periodically monitoring your financial situation, you should be in a better position to enjoy your retirement.

The two main financial concerns in retirement are usually inflation and managing your retirement assets. The following sections touch on these areas.

### Inflation

Increases in living costs can erode your purchasing power, and thus, your standard of living. Even a 3% inflation rate can cut the value of a dollar in half in 25 years.

To offset inflation, your retirement income must rise each year. If you don't go back to work, this income must come from your pool of assets that should be large enough to meet your financial needs without being depleted too quickly.

Retirees are understandably inclined to reduce their investment risk by placing more emphasis on income and principal stability than on capital appreciation.

But relying solely on these

conservative investments could expose your nest egg to erosion from inflation. Instead, you need to maintain a diversified portfolio to meet your basic needs for safety, liquidity, income for living expenses, and capital growth.

### Retirement Plan Distributions

Since a significant share of your retirement income will come from your SERS pension and Deferred Compensation, you need to be familiar with the rules and tax consequences concerning withdrawals. Thanks to new tax laws in 2002, you will be able to change your distribution election if your needs change.

### Getting Started

Getting started on a financial plan is the hard part, since most of us are more practiced in the art of procrastination.

Gather all the information on your investments, sources of income, and anticipated major expenses. Then see if your assets are invested in the best way to meet your current needs and your longer term objectives during retirement.

To learn more about financial planning in retirement, enroll in the SERS post-retirement workshop 'Myths & Realities of Retirement.'

**T. Rowe Price offers a free, comprehensive kit 'The Retirees Financial Guide' for all retirees. It provides details on the concerns mentioned in this article. To receive a copy, call 1-800-638-5660 or visit their web site, [www.troweprice.com](http://www.troweprice.com)**

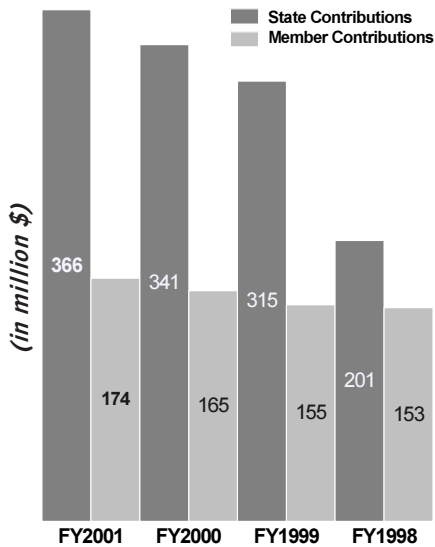
## New Deferred Compensation Options

New distribution legislation, effective January 1, 2002, allows you more flexibility in selecting your Deferred Compensation distribution, since there is no longer the 60-day time limit after separation. As long as you are under age 70 1/2, you can wait to make your distribution decision.

You can start, change, or stop your distribution decision because the restriction of an 'irrevocable election' has been eliminated. You may change your distribution election once every semi-annual period (January–June and July–December).

You may choose any number of years or amount until you reach age 70 1/2. After that, your payments may have to be adjusted to comply with the minimum Deferred Compensation distribution requirement. The maximum period for payments can be no longer than your life expectancy, as projected by the IRS at the time of your separation.

# Investment Returns Down, Benefits Unaffected



*Employer contributions amounted to \$366 million, an increase of \$25 million from FY00. Employee contributions were also up 5.5%, from \$165 million to \$174 million, primarily due to increased salaries and optional service purchases.*

By state law, SERS' investment function is managed by the Illinois State Board of Investment (ISBI). In addition to the assets of SERS, the ISBI also manages the investment function for the General Assembly and Judges' Retirement Systems. All of these investments are accounted for in a commingled ISBI fund.

## Investment Results

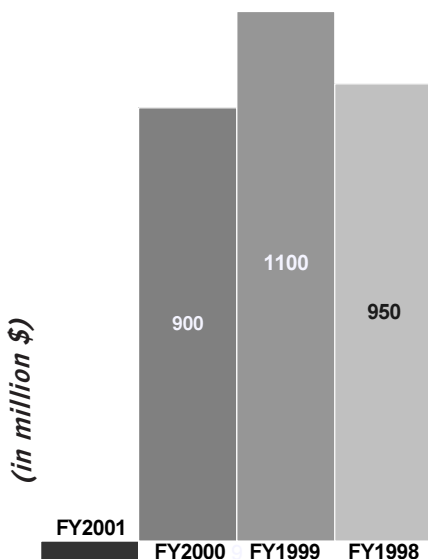
After a six-year run of double digit returns, the ISBI's total fund experienced an abrupt correction, down 7.1% for fiscal year 2001. This is the first negative fiscal year for the fund since 1983, and reflects the negative stock market environment, both in the U.S. and abroad.

While the ISBI fund didn't meet its long-term objective of exceeding the 8.5% assumed actuarial interest rate, their return was modestly ahead of the policy weighted benchmark return, which lost 7.3%.

For both the five and ten year periods ending June 30, 2001, the fund beat the actuarial hurdle, with an average return of 10.5% and 11.1% respectively, which in both cases is also modestly ahead of the benchmark return.

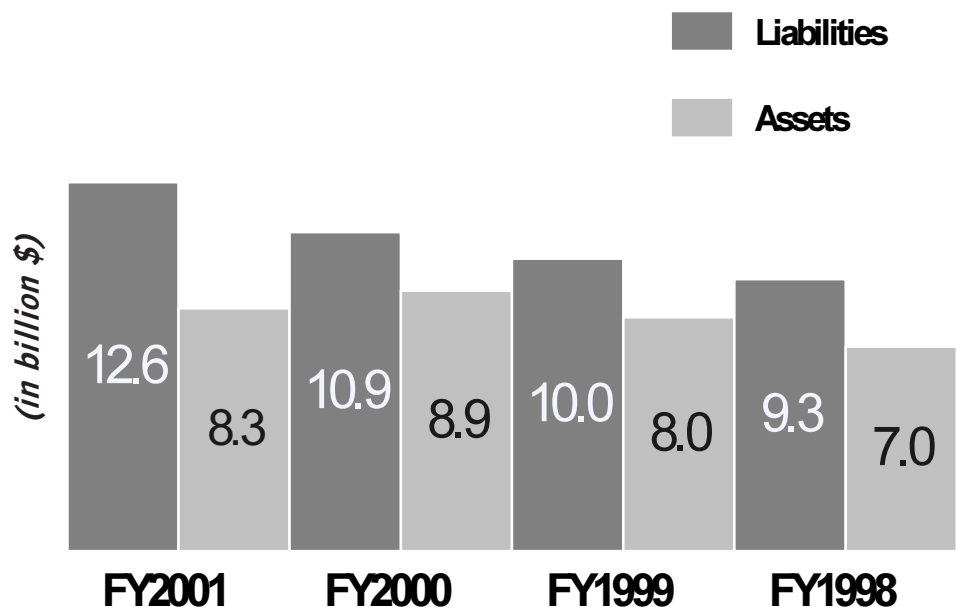
Despite the negative investment returns of the marketplace, SERS retirement, survivor and disability benefits were unaffected because they are determined by your months of service credit, earnings and benefit formula type. Just as benefits don't increase as a result of a bull market, they aren't reduced in a bear market.

A prudent investment philosophy over the long-term, will continue to yield the greatest results and help provide for a healthy retirement system. SERS, through the ISBI, will continue to monitor the markets for maximum investment returns with reasonable investment risk.



*The ISBI's rate of return was a -7.1%, well below the long-term actuarial return assumption of 8.5%. Total investment revenue amounted to -\$612 million, a decrease of \$1,543.5 million (or -165.8%) from FY00.*

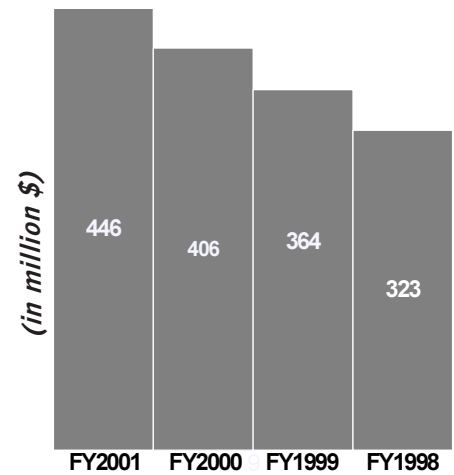
## Actuarial Liability & Net Assets



## Statement of Plan Net Assets

June 30, 2001 and 2000

	2001	2000
<b>ASSETS</b>		
Cash	\$ 103,210,369	\$ 97,638,073
Receivables	30,349,595	27,920,145
Investments (at fair value)	8,144,981,332	8,786,654,484
Equipment (net of acc. depr.)	3,310,764	3,354,788
<b>Total Assets</b>	<b>\$ 8,281,852,060</b>	<b>\$ 8,915,567,490</b>
<b>Total Liabilities</b>	<b>\$ (5,190,708)</b>	<b>\$ (4,666,838)</b>
<b>Total Assets to Pay Pension Benefits</b>	<b>\$ 8,276,661,352</b>	<b>\$ 8,910,900,652</b>



*SERS paid out more than \$446 million in retirement payments in FY2001.*

## Statement of Revenues & Expenses

June 30, 2001 and 2000

	2001	2000
<b>REVENUES</b>		
Contributions:		
Members	\$ 173,778,661	\$ 164,792,356
Employer	366,028,937	340,872,521
<b>Total Contributions</b>	<b>\$ 539,807,598</b>	<b>\$ 505,664,877</b>
<b>Investment Income(Loss)</b>	<b>\$ (612,302,652)</b>	<b>\$ 931,263,299</b>
<b>TOTAL REVENUES</b>	<b>\$ (72,495,054)</b>	<b>\$ 1,436,928,176</b>
<b>EXPENSES</b>		
Benefits	\$ 537,591,724	\$ 489,915,421
Refunds (including transfers)	17,012,242	15,931,307
Administrative	7,140,280	6,613,765
<b>TOTAL EXPENSES</b>	<b>\$ 561,744,246</b>	<b>\$ 512,460,493</b>

Net Assets Held in Trust for Pension Benefits:

Beginning of Year	8,910,900,652	7,986,432,969
<b>End of Year</b>	<b>\$ 8,276,661,352</b>	<b>\$ 8,910,900,652</b>

## If Your Address Changes

*When a retired SERS member or survivor changes their address, a written and signed memo must be sent to SERS. Remember to include your Social Security number on the memo.*

*If your address changes because of a '911' conversion, notify us by memo with your signature and Social Security number included to change our records.*

Visit the State Retirement Systems on the World Wide Web:  
[www.state.il.us/srs](http://www.state.il.us/srs)

Our e-mail address is:  
[ser@mail.state.il.us](mailto:ser@mail.state.il.us)



2101 S. Veterans Parkway  
P. O. Box 19255  
Springfield, IL 62794-9255

PRSRT STD  
U.S. Postage Paid  
Springfield, IL  
Permit No. 662

**Circle the 2002 MRR Workshop That You Would Like to Attend.**

Jan. 22	Normal (33)	Jul. 23	Peoria (13)
Feb. 19	Quincy (36)	Jul. 30	Carbondale (94)
Feb. 26	Springfield (01)	Aug. 13	Galesburg (23)
Mar. 5	Jacksonville (39)	Aug. 27	Rockford (10)
Mar. 12	Dixon (76)	Sep. 17	Rolling Meadows (79)
Mar. 26	Chicago (02)	Sep. 24	Effingham (67)
Apr. 2	Collinsville (15)	Oct. 1	Fairview Heights (18)
Apr. 16	Joliet (47)	Oct. 8	Rend Lake (21)
May 14	Bourbonnais (27)	Oct. 29	Springfield (01)
May 28	Taylorville (66)	Nov. 19	Peoria (13)
Jun. 4	Utica (30)	Nov. 26	Chicago (02)
Jun. 11	Urbana (03)	Dec. 3	Springfield (01)
Jun. 25	Rend Lake (21)	Dec. 10	Tinley Park (95)
Jul. 2	Chicago (02)		

Name \_\_\_\_\_

Social Security Number \_\_\_\_\_

Are You Bringing a Guest? \_\_\_\_\_

As Americans live longer, you can expect more years in retirement than adolescence. To help make these added years more meaningful and rewarding, SRS offers the ***Myths and Realities of Retirement*** workshop to retirees, survivors, disability benefit recipients and their guests.

This free, one-day workshop examines financial scams, the effects of inflation, estate planning, group insurance benefits, and health & leisure.

If you would like to attend an MRR workshop, complete the application and return it to us. After you are registered, we will confirm your enrollment by letting you know the exact workshop location.

***Return This Form To:***

State Retirement Systems, Field Services Division  
2101 S. Veterans Parkway  
P. O. Box 19255  
Springfield, IL 62794-9255



Printed by the Authority of the State of Illinois  
45M - 12/01 • Printed on Recycled Paper